

**CITY OF SHUEYVILLE, IOWA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON THE STATUS OF PERIODIC EXAMINATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE PERIOD**  
**DECEMBER 1, 2015 THROUGH MAY 31, 2016**

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## Officials

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Name	Title	Term Expires
<b>(Before January, 2016)</b>		
<b>Elected Officials</b>		
Mickey Coonfare	Mayor	December 31, 2015
Brad Anderson	Council Member	December 31, 2017
Brent Foss	Council Member	December 31, 2015
Chris Lacy	Council Member	December 31, 2015
Pamela Larson	Council Member	December 31, 2017
Bart Frisk	Council Member	December 31, 2017
<b>Appointed Officials</b>		
Teresa Eadie	City Clerk/Treasurer	December 31, 2015
<b>(After January, 2016)</b>		
<b>Elected Officials</b>		
Mickey Coonfare	Mayor	December 31, 2017
Brad Anderson	Council Member	December 31, 2017
Brent Foss	Council Member	December 31, 2019
Chris Lacy	Council Member	December 31, 2019
Pamela Larson	Council Member	December 31, 2017
Bart Frisk	Council Member	December 31, 2017
<b>Appointed Officials</b>		
Teresa Eadie	City Clerk/Treasurer	December 31, 2017

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## **Independent Accountant's Report on the Status of Periodic Examination Findings and Recommendations**

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To the Honorable Mayor and  
Members of the City Council  
City of Shueyville, Iowa

Hogan - Hansen, P.C. issued a Periodic Examination Report dated August 27, 2014 on the City of Shueyville, Iowa, covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated August 27, 2014 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate that the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Shueyville and other parties to whom the City of Shueyville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shueyville during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
October 18, 2016

## **Status of Periodic Examination Findings and Recommendations**—————

## Status of Periodic Examination Findings and Recommendations

### Findings Reported in the Periodic Examination Report Dated August 27, 2014:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

Recommendation - We realize that segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**Current Status - Not corrected. The recommendation is repeated.**

- (B) Investment Policy - We reviewed the City's investments and found them to be in compliance with the Code of Iowa Chapter 12B.10 but the City did not have a formal investment policy as required by the Code of Iowa Chapter 12B.10B.

Recommendation - The City should consult with its attorney and adopt an investment policy that is in accordance with the Code of Iowa Chapter 12B.10B.

**Current Status - Corrected. The City adopted an investment policy on November 11, 2014.**

- (C) Depository Resolution - The City could not locate a depository resolution authorizing banks to hold city funds as required by the Code of Iowa.

Recommendation - The City should consult with its attorney and adopt a depository resolution that is in accordance with the Code of Iowa Chapter 12C.2.

**Current Status - Corrected. The City adopted a depository resolution on September 8, 2015.**

- (D) Financial Reporting - In reviewing the Annual Financial Report (AFR) for the year ended June 30, 2014, we traced ending fund balances to the City's records; however, sufficient information was not maintained to allow us to reconcile revenue and expenses by fund or in total to the City's records.

Recommendation - The City should implement procedures to ensure financial transactions are properly recorded and reported using the cash basis of accounting and ensure adequate records are maintained.

**Current Status - Not corrected. The recommendation is repeated.**

- (E) Prenumbered Receipts - Prenumbered receipts were not issued for all cash receipts and an initial listing of cash receipts was not prepared.

Recommendation - Prenumbered receipts should be issued for all cash receipts. These cash receipts records should be reconciled to the bank deposits and the accounting records by an independent person and the evidence of review should be documented.

**Current Status - Partially corrected. Although prenumbered receipts were issued for all cash receipts, the cash receipt records were not reconciled to the bank deposits and the accounting records by an independent person. The recommendation is repeated.**

## Status of Periodic Examination Findings and Recommendations

- (F) Transfers - Transfers, while approved by the City Council, were recorded before approval.

Recommendation - Transfers should be approved by the City Council before the transfer is recorded.

**Current Status - Corrected. All transfers made from December, 2015 through May, 2016 were properly approved prior to being recorded.**

- (G) Tax Increment Financing - The City credited interest earned on the balance of the Special Revenue, Tax Increment Financing (TIF) to the General Fund rather than the Special Revenue, TIF Fund as required by 403.19(10) of the Code of Iowa.

Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund. The City paid principal and interest on its 2008 general obligation bonds from the Special Revenue, Tax Increment Financing Fund through transfers to the Debt Service Fund. However, during the fiscal year ended June 30, 2014, the City transferred \$299,200 more to the Debt Service Fund than the amount of principal and interest paid.

Recommendation - The City should credit interest earnings to the Special Revenue, TIF Fund as required. It appeared that excess funds were transferred to the Debt Service Fund; however, the City maintains it was used in fiscal year 2014 to pay down additional TIF debt.

**Current Status - Not corrected. During the timeframe of testing, the City credited interest earned on the balance of the Special Revenue, Tax Increment Financing (TIF) to the General Fund. In addition, as of June 30, 2015, the City had transferred \$19,213 more to the Debt Service Fund than the amount of principal and interest paid. The recommendation is repeated.**

- (H) Annual Urban Renewal Report (AURR) - The 2013 AURR was approved and certified to the Iowa Department of Management on or before December 1, 2013, although we noted the following reporting exceptions on the Levy Authority Summary:

- The City overstated the amount of TIF debt outstanding at June 30, 2013 because \$1,600,000 of Urban Renewal TIF revenue notes total principal and interest were certified before the notes were issued on July 16, 2014.
- Activity of the Special Revenue, Tax Increment Financing (TIF) Fund, including beginning and ending cash balances, receipts and disbursements did not agree with the City's financial records.

Recommendation - The City should ensure that the amounts reported on the Levy Authority Summary agree with the City's records. The City should not certify principal and interest amounts until debt has been issued. When filing the Annual Urban Renewal Report for the year ended June 30, 2014, the City should determine all principal and interest amounts outstanding for the remaining term of the debt, including total principal and interest to pay annual appropriation debt in full, agrees to the amount of TIF debt and obligations outstanding on the Levy Authority Summary.

## Status of Periodic Examination Findings and Recommendations

**Current Status** - Partially corrected. The amount of TIF debt outstanding as of June 30, 2015 reconciles to City records. However, the activity of the Special Revenue, Tax Increment Financing (TIF) Fund did not agree with the City's financial records. The City should ensure that the amount reported on the AURR agree with the City's records.

- (I) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting and include total disbursements from each fund. One of the four minutes reviewed was not published within 15 days. Also, two of the four minutes reviewed did not include reasons for all claims paid and one of the minutes reviewed did not include a summary of receipts. Furthermore, we noted none of the minutes reviewed specified which fund the claims were to be paid from.

**Recommendation** - The City should comply with the Code of Iowa and publish City Council minutes within 15 days of each meeting, as required. The published minutes should include total disbursements by fund, the reason for the claim and a summary of receipts, as required.

**Current Status** - Partially corrected. For the minutes tested between December, 2015 and May, 2016, minutes were published timely, included a summary of receipts and included reasons for all claims paid. However, none of the minutes reviewed included total disbursements by fund. The City should ensure future minutes comply with the Code of Iowa and include total disbursements by fund.

- (J) **Payroll** - No documentation could be found of the former City Clerk's approved pay rate or hours worked. While the current City Clerk maintained timesheets, they did not include evidence of supervisory review. Furthermore, we noted several occasions where the City Clerk worked more than the hours per week approved by Council when hired. We also noted that one timesheet could not be located.

**Recommendation** - All employees should maintain timesheets and all timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of approval.

**Current Status** - Corrected. All payroll transactions tested were properly supported by timesheets which were approved by the Mayor. In addition, all pay rates for the transactions tested were properly approved by the City Council and the City Clerk's hours worked were within the approved maximum per month.

- (K) **Planning and Zoning Commission and Board of Adjustments Compensation** - We were unable to locate documentation of the approved compensation per meeting for members of the Planning and Zoning Commission and Board of Adjustments.

**Recommendation** - Compensation for members of the Planning and Zoning Commission and Board of Adjustments should be approved and documented in City Council minutes.

**Current Status** - Corrected. The current compensation rates for members of the Planning and Zoning Commission and Board of Adjustments were approved by the City Council on October 14, 2014 via resolution.



## Status of Periodic Examination Findings and Recommendations

- (L) Payment of General Obligation Notes - The December, 2013 interest payment on the City's 2008 general obligation note was paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer funds from the Special Revenue, Tax Increment Financing to the Debt Service Fund and payments on the notes should then be made from the Debt Service Fund.

**Current Status - Corrected. The City properly transferred funds from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for the December, 2015 interest payment and the June, 2015 principal and interest payments. The payments on the notes were then properly made from the Debt Service Fund.**

- (M) Chart of Accounts - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002. During our examination, we noted that the City did not maintain a general ledger or other supporting detail to ensure proper fund accounting and to support amounts reported on the Annual Financial Report.

Recommendation - To provide better financial information and control, the COA or its equivalent, should be followed.

**Current Status - Not corrected. The recommendation is repeated.**

- (N) Tax Increment Financing (TIF) Indebtedness Certification - Chapter 403.19 of the Code of Iowa provides a municipality shall certify TIF indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Indebtedness is to be certified to the County Auditor when incurred and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In December, 2013, the City certified \$2,123,600 of Urban Renewal Revenue Capital Loan Notes; however, the notes were subject to annual appropriation and, therefore, only the amount appropriated to be paid in the next fiscal year of \$93,700 should have been certified.

Recommendation - The City should certify a reduction of \$2,029,900. The City Council should annually appropriate the amount to be paid in the next fiscal year before December 1, and this amount should be certified to the County Auditor each year.

**Current Status - Not corrected. As of June 30, 2015, the City's TIF indebtedness was over certified by \$1,883,132. Additionally, as of June 30, 2015, the City had a balance of \$340,346 in the TIF fund. However, the only remaining TIF debt were notes subject to annual appropriation and, therefore, only the amount appropriated to be paid in the next fiscal year should have been certified. The City should certify a reduction of \$1,883,132. Also, the City should not appropriate any additional TIF funds until the excess funds have been expended. At such time, the City should only appropriate the amount to be paid in the next fiscal year.**

### Additional Findings as a Result of Follow-up Procedures:

- (O) Deposits - Multiple cash receipts tested were not deposited in a timely manner.

Recommendation - The City should establish procedures to ensure cash receipts are deposited in a timely manner.